

PX 466

Message

From: Breanne Madigan [REDACTED]@ripple.com]
 on behalf of Breanne Madigan [REDACTED]@ripple.com> [REDACTED]@ripple.com]
Sent: 8/13/2019 5:54:01 PM
To: [REDACTED]@ripple.com>]
CC: Dinuka Samarasinghe [REDACTED]@ripple.com>]; [REDACTED]
 [REDACTED]@ripple.com>]
Subject: Re: [REDACTED] follow-up

Excellent and appreciate the thorough update - very helpful to understand how their process works.

I agree with your proposed next steps. Let's get a quick call together between us, and we can also draft the Chris-to-[REDACTED] email and then arrange a call with Chris to discuss.

Just a quick logistics point: I am traveling wed/Thursday next week and then on vacation next Friday through the following Monday, so if we could get our internal sync done ASAP, I would really appreciate it. I'll ask [REDACTED] to help coordinate tonight/early tmrw. [REDACTED] do you want us to include you, or work with [REDACTED] directly?

Thanks so much for your time on this, [REDACTED]

Best,
Breanne

Breanne Madigan
Global Institutional Markets
[REDACTED]

On Aug 13, 2019 at 8:44 PM, <[REDACTED]> wrote:

Hi Breanne and Dinuka,
As [REDACTED] mentioned, I had a call with the [REDACTED] team (COO [REDACTED] General Counsel [REDACTED]) to get more color on their reaction.
Here is what I found:

- Per their discussion with [REDACTED] (CEO of [REDACTED]), they are not necessarily ruling out the possibility to work towards an amendment, but they don't see an immediate need to do the change. As a result, [REDACTED] sent a quick email to Brad, saying that they don't want to amend the agreement. But it doesn't necessarily mean that it is a no-go. It is more of his tactic for negotiation, and we've seen him do that before. ([REDACTED] also confirmed this point)
- [REDACTED] is a complete 'top-down' organization, where [REDACTED] makes all the important decisions, and for Ripple related matters, typically [REDACTED] makes a decision based on his conversation with Chris Larsen. [REDACTED] suggested that [REDACTED] talk with Chris first, and agrees on the high-level

concept / framework. Only after that, [REDACTED] instructs his team [REDACTED] to work out the details with us. (In other words, without [REDACTED] blessing, they cannot do anything. The market making team that you spoke to before are also not in a position to make these decisions.)

- [REDACTED] and Chris have a monthly catch-up call, and the next call will take place on Thursday next week. We can leverage the call as an opportunity for Chris to bring up this matter. Their conversation should focus on the high-level framework without getting into the specifics, which we can take care of at our level.

[REDACTED] and I discussed the next steps, and here are our suggestions:

- We can set up an internal call with you this week to give you a little more color on the above (as well as some specific concerns they mentioned), and we can agree on the next steps. Our specific suggestions are as follows:
 - Before the 1:1 call between [REDACTED] and Chris on Thursday next week, we can prepare an email that Chris sends to [REDACTED] to explain our intent and framework at a high level so that [REDACTED] can expect the discussion and they can dive into it on the call. (I can write up a draft so that we can review together on our call this week.)
 - We will secure a time with Chris internally to explain the context and discuss what we'd like him to communicate with [REDACTED] (and what not to communicate.)
 - Separately, [REDACTED] will follow up with Brad so that he is aware. ([REDACTED] tends to see Chris as his peer, so this type of discussion usually takes place between [REDACTED] and Chris, but not Brad.)

Let me know if this works. I'll find a time for our call.

As to the email sent from [REDACTED] to Brad, I will forward it to you separately. (It was sent to Brad from [REDACTED] and then forwarded by Brad to [REDACTED].)

Regarding my email to [REDACTED] it was written in Japanese, but here is a quick summary of what I wrote. (It's a long email with a lot of nuances and context.)

- Ripple is committed to protecting the XRP market eco-system.
- As part of the commitment, Ripple recently announced the change of benchmark and the plan to sell less XRP in order to reduce the XRP supply in the market, so we are taking proactive actions.
- We are concerned about the large additional XRP supply that could be introduced into the market through our current agreement, and we would like to propose amendments that are designed to protect the eco-system while satisfying SBI's needs.

I then provided a summary of proposed terms as we agreed last week, as a starting point.

Please let me know if you have any questions.

On Sun, Aug 11, 2019 at 11:31 AM [REDACTED] wrote:

Both [REDACTED] and I happened to be on PTO Thurs/Fri, but [REDACTED] is back tomorrow and may have more context to add.

As we've called out in the past, [REDACTED] motivation here is in part related to their ability to use profits from XRP to 'plug holes' in their macro quarterly earnings. They recognize the profit upon receipt of the XRP (i.e., they

don't need to sell it to recognize the profit). Giving them everything up front would not address their needs - would be a huge one-time gain.

██████████ looking to get more color on why ██████████ (who at the end of they day will make this call...no matter how excited the working team is) wasn't willing to entertain the proposed approach. We should wait to see if that sheds anymore light on thing before putting a new proposal together.

On Thu, Aug 8, 2019 at 6:33 PM Breanne Madigan <breanne@madigan.com> wrote:

Thanks for the update.

That is somewhat surprising and disappointing, esp given how well the others we spoke with seemed to receive the idea! Can you share the email that you sent, and also the one that was sent to Brad, just so we have full context on how it was positioned? This may help us think of ways we can potentially reframe the conversation / counter proposal. For example, even if we agreed to pay out the 100% PROFIT number all at once to them (close to [REDACTED] XRP), that is still far better for us then allowing the full contract to run its course. This may help address some of the CEO's concerns re sufficient supply for whatever plans he is alluding to. Of course, we would need to discuss with Ron before going back with that, but it's something worth considering IMO.

Appreciate all of your time on this one.

Best,

Breanne

On Wed, Aug 7, 2019 at 10:16 PM [REDACTED] wrote:

Hi Breanne and Dinuka,

I'd like to share a quick update on [REDACTED] initial reaction.

I sent an email to key people at [REDACTED] yesterday about our proposed terms as well as our underlying motivations (i.e. protect XRP ecosystem, our market observations, etc.).

I was planning to follow up and discuss further with them during our weekly call tomorrow, but before doing so, they escalated it to [REDACTED] CEO, who then sent an email to Brad, saying that they cannot accept the proposal since they already have a big plan ahead, with the assumption that they will have the XRP supply based on the deal.

The email didn't provide much context, so I will follow up with [REDACTED] tomorrow and try to hear what their real thinking is.

I will see if there is room for negotiation or it is completely a no-go from their perspective.

I'll keep you posted.

----- Forwarded message -----

From: **Ron Will** <RonWill@ripple.com>

Date: Tue, Aug 6, 2019 at 10:39 AM

Subject: Re: [REDACTED] follow-up

To: [REDACTED]@ripple.com>

Cc: Breanne Madigan <bmadigan@ripple.com>, @ripple.com>, Dinuka

Samarasinghe [REDACTED]@ripple.com>, [REDACTED]@ripple.com>.

@ripple.com>

yes - works for me.

thanks

On Tue, Aug 6, 2019 at 10:38 AM [REDACTED]@ripple.com> wrote:

Agree that we focus on accuracy vs. a specific provider as a guiding principle, and I will propose it that way.

Ron, are you okay with us to move ahead with the discussion with [REDACTED]

On Mon, Aug 5, 2019 at 4:46 PM Breanne Madigan [REDACTED]@ripple.com> wrote:

Great suggestion and agreed. Thank you!

Breanne Madigan
Global Institutional Markets
[REDACTED]@ripple.com

On Aug 5, 2019 at 7:46 PM, [REDACTED] wrote:

Looks good to me.

One thought to consider - that admittedly is more for when you get into contracting phase - is that for sales restrictions we would always want to use what is broadly consider the most accurate measure of market volume. Today we feel that's [REDACTED]..but if in the future this is no longer the case we both agree to move to what ever is considered 'best practice' at that point. In sum - we are focused on accuracy vs. a particular provider [REDACTED] as a guiding principle.

On Mon, Aug 5, 2019 at 4:03 PM [REDACTED]@ripple.com> wrote:

Hi Ron and [REDACTED]

Breanne, Dinuka and I had further discussion on this, and here are key proposed terms (and their range) that we discussed.

Please let us know if you are okay with this initial proposal, or have any suggestions/questions. After we get your blessing, I will start negotiating with [REDACTED] and keep the group updated.

- Total XRP value offered (to replace the existing agreement)
 - Starting point for negotiation: [REDACTED] (based on purchase pace using post-discount purchase amount)
 - Target value: [REDACTED]
 - Maximum threshold: [REDACTED] (Remaining value that could be extracted)
- Payout schedule
 - Monthly equal payouts
 - [REDACTED] (existing contract duration): [REDACTED] per month (assuming a target value of [REDACTED])

- or over up to [REDACTED] per month, if they are open to the longer duration.
 - [REDACTED] may ask for more frequent payouts of smaller amount to minimize market exposure. In that case, we may potentially consider bi-weekly payouts.
- Daily sales restriction
 - [REDACTED]
 - i.e. [REDACTED] if daily volume is [REDACTED]

Thank you,

On Fri, Aug 2, 2019 at 10:47 AM Dinuka Samarasinghe <[REDACTED]> wrote:

Using the assumption that [REDACTED] has to date purchased [REDACTED] we're about a quarter way through the deal, and that they are on pace for [REDACTED] in purchases over the term

- The [REDACTED] is before discount XRP purchased, and represents the XRP supply introduced into the market by [REDACTED] thus far
- [REDACTED] would purchase XRP according to the following discount schedule:
 - [REDACTED] @ [REDACTED] discount (paying \$ [REDACTED])
 - [REDACTED] @ [REDACTED] discount (paying [REDACTED])
 - [REDACTED] @ [REDACTED] discount (paying [REDACTED])
- The difference between the amount of XRP [REDACTED] would receive before the discount [REDACTED] versus the amount [REDACTED] would pay [REDACTED] after the discount is the value of the remainder of the deal = [REDACTED]
- Assuming a payout once a month starting this month, monthly payment would be [REDACTED]
- This would result in a total monetized value for [REDACTED] of: [REDACTED] versus [REDACTED] including the [REDACTED] they have already monetized

On Thu, Aug 1, 2019 at 1:11 AM Ron Will <[REDACTED]@ripple.com> wrote:

I'm supportive - of all this below - do think that we should negotiate a fair bit - since they don't have to put any capital up and take as much price risk/have as much exposure given the reduced amount of XRP to see the final profit hopefully we can get something along the lines of 1) dragging this out over time and 2) reducing the amount

On Wed, Jul 31, 2019 at 7:00 PM [REDACTED]@ripple.com> wrote:

Yep - was clear that you weren't intending this to be a formal proposal. Just wanted to share it appears they took as one.

Also - just a point of clarification on their selling immediately. [REDACTED] doesn't need to sell the XRP in order to recognize the profit...and they're claiming that's not the reason they were selling quickly during the first half of the year. They mark to market when they receive the XRP and and recognize the delta between our discounted price and that market price (even if they hold). They *claim* the reason they were selling is that they had to deplete the wallet we hold for them in order to buy the full amount of XRP they wanted that period. Not saying that holds water, but it's what they told us.

Was aware that Ron is supportive of the general approach (we discussed v. briefly). If memory serves, he also felt that we didn't need to open by saying we'd pay them the full amount (which would get them to [REDACTED]). It was a brief discussion - so will let him speak for himself!

Lastly - from your note I may have made a mistake by telling them that we'd get them a more 'official' payout schedule (assuming we'd want to make the initial move versus having them put something in front of us first). If we would rather have them send us a proposal, let us know and [REDACTED] I can get back to them and say we were mistaken...they should send us something.

On Wed, Jul 31, 2019 at 6:05 PM Breanne Madigan [REDACTED]@ripple.com> wrote:
all makes sense

To be clear, we did not propose a specified payout schedule in that conversation. Rather, it was more just the concept that we would like them to consider us paying them the outstanding pnl due (in form of xrp) rather than flood market with all the excess supply if it's (obviously) only being instantaneously sold (in order used to plug their financial gap.)

And just so you're aware, Dinuka and I also spoke with Ron in SF during offsite, before proceeding with that [REDACTED] conversation, in order to ensure that he was on board in principle, and comfortable with us joining the call to help facilitate this initial discussion to test their appetite. happy it was well received on their end.

[REDACTED] may have some proposals re how they want to receive the payout, which I think we have some flex on - excited to hear what they have to say! (Suspect they will want more upfront rather than monthly through 2021 but let's see...)

Thanks again! Please keep us posted as you hear 🙌🙌🙌🙌

Breanne Madigan
Global Institutional Markets
[REDACTED]@ripple.com

On Jul 31, 2019 at 8:46 PM, [REDACTED] wrote:

Understand your points...and see the logic of looking at it the other way. That said, I think we're in agreement that there's no reason to negotiate against ourselves (e.g., start with getting promising to them to the full \$ [REDACTED]).

Also - [REDACTED] and I are just off a call with [REDACTED] who's the CFO for [REDACTED] where we covered a variety of topics re: our relationship. A few things to note on the XRP purchase topic:

- it's clear that his (and therefore [REDACTED] biggest driver in the purchase/sale of XRP is the ability to generate quick profit and plug gaps in the overall [REDACTED] financial results. They just released quarterly earning and he was quick to highlight that the group that owns the XRP sales [REDACTED] shows a [REDACTED] profit...which had a big impact their overall earnings. The implication

there is that whatever we propose will need to give him the flexibility to generate these types of 'profits on demand'. If not, I fear he will want to stick w/ the status quo.

- Ajeesh (who was also on the call) mentioned that the [REDACTED] team views the ideas you shared in the last meeting as a (formal?) proposal from Ripple. They are in the process of putting together their counter proposal. I told them that what you shared was not 'official' and we're still doing internal analysis and getting approvals. I *think* they understood this, but it suggests we need to get them something sooner rather than later. I let them know this will require CFO review and the earliest that will happen is next week.

[REDACTED] feel free to chime in with anything I missed (or mis-interpreted).

On Wed Jul 31, 2019 at 3:28 PM Breanne Madigan <[REDACTED]@ripple.com> wrote:

Hi [REDACTED]

Thank you very much for your feedback.

On point 1

-I agree that from a negotiation standpoint, we can/should certainly start with a lower ask, and see where we get to :)

-If we take the approach you mentioned, looking at run-rate on quantity of sales, I see [REDACTED] figure you came up with. However, if you look at this from the max pnl perspective, which we suspect they may be, they are optimizing for total pnl eligible (rather than the total volume eligible) - meaning they have already calculated the fact that they will have to buy more quantity at future dates (at the reduced discount rate of [REDACTED], in order to realize the max net pnl they are eligible for. To be more specific, the total pnl they are eligible for is [REDACTED] over the life of the trade, and using round figures, if we are about [REDACTED] through the deal, they have already realized [REDACTED] in profit to date, so slightly ahead of schedule.

-Regardless of which metric they are using to base their decisions off of, we def want to reduce the quantity of supply [REDACTED] is selling into the market, so very supportive of starting out with a lower number... we just expect them to come back optimizing for the max PnL, which they are well aware they are eligible for. From the call we joined, they seemed amenable to this idea.

On point 2

-Absolutely. We want to offer help in areas they are focused on, especially as/when it's generating new XRP demand! We have no problem discussing how best to support them with XRP reserves for the Japan launch, and can negotiate terms of that supply deal separately when they are ready (or in conjunction! We would love if some of this [REDACTED] XRP could be helpful in that regard, too :)

Always happy to chat live if helpful - and again, appreciate your time in helping to work towards a better outcome for XRP, to the extent we can find ways to make this happen :)

On Tue, Jul 30, 2019 at 12:00 AM [REDACTED]@ripple.com> wrote:

Hey Breanne - thanks for you / Dinuka for putting this together and sharing.

At a high level, if this is a structure think is best for RIpple, then I don't see any issues with it. A couple of comments / suggestions:

- From a negotiation standpoint, I don't think we have to open with a the full delta between [REDACTED] and their "earnings" to date. They've demonstrated their on a pace to purchase the

full [REDACTED] To date, they've purchased [REDACTED] and we're about a quarter way through the deal (suggesting [REDACTED] in purchases over the term). That would suggest offering them something closer to [REDACTED] (or lower) vs. the [REDACTED] suggested. At the end of the day this will be a negotiation...don't think there's a downside to anchoring low.

- As I think we discussed, [REDACTED] CFO sees the gain on XRP sales as a way to plug earnings gaps across his P&L. As we ramp xRapid in Japan, I'm sure they will also want more XRP reserves to handle what we hope is significant demand. They will want to maintain this control / flexibility. IMO, as long as we solve for these [REDACTED] needs, they will be open to working with us.

Obviously should get Ron's input as well. Happy to discuss if helpful.

On Mon, Jul 29, 2019 at 6:25 PM Breanne Madigan <[REDACTED]@ripple.com> wrote:

Hi Ron, [REDACTED]
FYI - [REDACTED] asked that we share this with you as well.
Happy to discuss

----- Forwarded message -----

From: **Breanne Madigan** <[REDACTED]@ripple.com>
Date: Mon, Jul 29, 2019 at 8:33 PM
Subject: [REDACTED] follow-up
To: [REDACTED]@ripple.com>
Cc: Dinuka Samarasinghe <[REDACTED]@ripple.com>

Hi [REDACTED]

On the back of our recent discussions re: [REDACTED] I believe you requested a proposed repayment schedule - pls see below.

Also, please let us know if you have heard back from [REDACTED] It sounded like they were very amenable to the proposal based upon their initial reactions to the call Dinuka and I joined - but I know that they needed to run it up the flag pole, and it may take you following up to get this done. Please let us know what else you need, and keep us posted!

Best,
Breanne and Dinuka

Our analysis shows that our current deal with [REDACTED] which allows them to purchase [REDACTED] worth of XRP and receive [REDACTED] worth of XRP, gives [REDACTED] a total monetary value of \$200M.

- [REDACTED] has thus far paid [REDACTED] for [REDACTED] worth of XRP
- Assuming they have monetized the discount, [REDACTED] has captured thus far [REDACTED] of the [REDACTED] deal value
- Thus, [REDACTED] has [REDACTED] remaining value in this deal
- To realize this [REDACTED] would need to introduce [REDACTED] worth of XRP supply into the market

- This [REDACTED] worth of XRP at (assuming an [REDACTED] XRP/USD price) that [REDACTED] would need to liquidate to realize this value represents a [REDACTED] increase in current circulating supply of [REDACTED] over the remainder of the deal

We propose that we:

- Simply pay [REDACTED] the remaining [REDACTED] value on the deal
- Pay [REDACTED] an even monthly payment amount of [REDACTED] worth of XRP per month for the remainder of the deal (ending on [REDACTED])
- Subject [REDACTED] to sales restrictions of [REDACTED] basis points of Crypto Compare Top Tier volumes
- Thereby, give [REDACTED] the same monetary value remaining from the existing deal, over the same amount of time

We believe this is beneficial to both parties in that:

- It is operationally more efficient for [REDACTED]
- Represents an [REDACTED] reduction in introduced XRP supply [REDACTED] and thus is healthier for XRP markets
- Completely maintains [REDACTED] economic incentives in the deal

For internal purposes - pls note that we have spoken to the tax team about this, and they are supportive that this will not cause additional tax burden on Ripple.

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Breanne Madigan
Global Institutional Markets
[REDACTED]@ripple.com

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Breanne Madigan
Global Institutional Markets
[REDACTED]@ripple.com

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Breanne Madigan
Global Institutional Markets
[REDACTED]@ripple.com

--

Ron Will
Chief Financial Officer | Ripple
[REDACTED]@ripple.com | ripple.com

--
Dinuka Samarasinghe
XRP Markets
[REDACTED]

[REDACTED]
Sr. Director of Global Operations | Ripple
[REDACTED]@ripple.com

[REDACTED]

[REDACTED]
Sr. Director of Global Operations | Ripple
[REDACTED]@ripple.com

[REDACTED]

--
Ron Will
Chief Financial Officer | Ripple
[REDACTED]@ripple.com | ripple.com

[REDACTED]

[REDACTED]
Sr. Director of Global Operations | Ripple
[REDACTED]@ripple.com

[REDACTED]

Breanne Madigan
Global Institutional Markets
[REDACTED]@ripple.com

[REDACTED]
Sr. Director of Global Operations | Ripple
[REDACTED]
[REDACTED]@ripple.com